
Commonwealth of Virginia
Health Benefits Program

ANNUAL REPORT

December 1999

Introduction

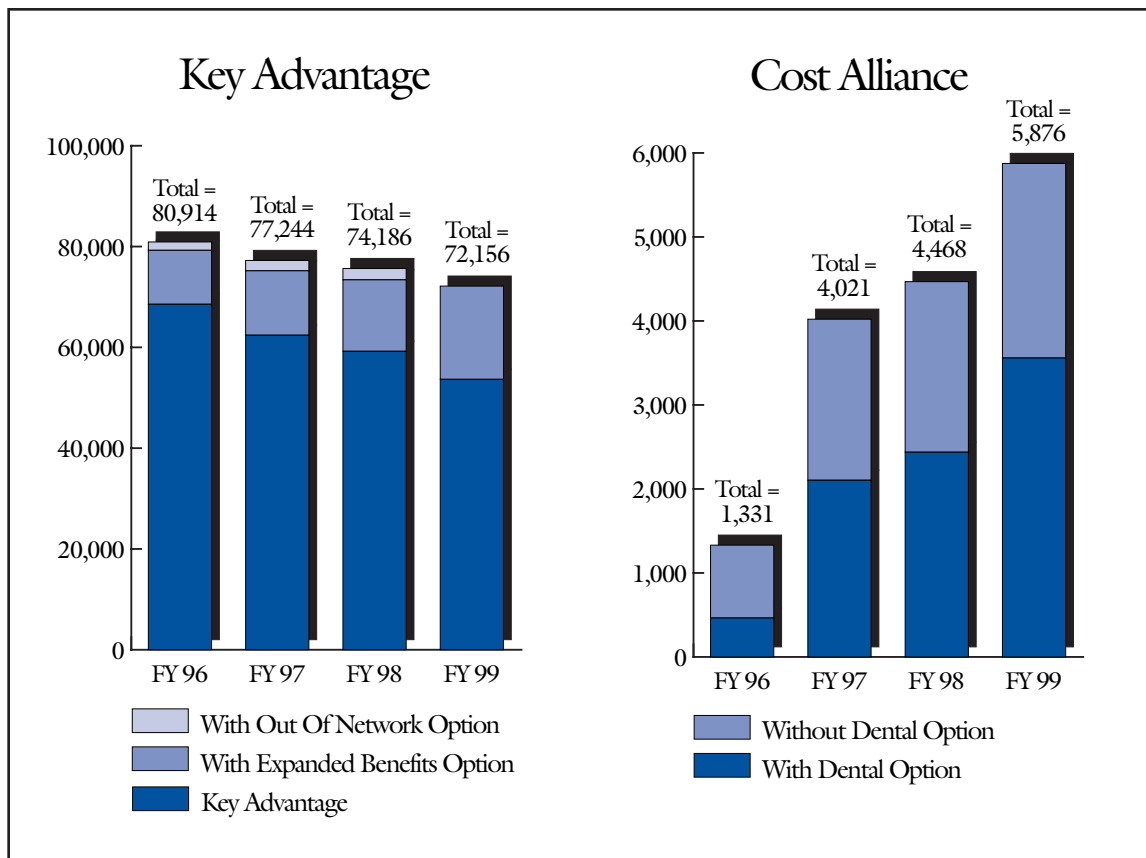
This report is a financial snapshot of the self-insured health benefits plans for the active employee and early retiree (that is, retirees not eligible for Medicare) group during fiscal year 1999 (July 1, 1998 through June 30, 1999). Note that most of the data you will see reflects the combined operations of Key Advantage and Cost Alliance because these plans are evaluated together as if they were one plan.

Enrollment

The charts below show the total enrollment in the Key Advantage and Cost Alliance plans for fiscal years 1996 through 1999.

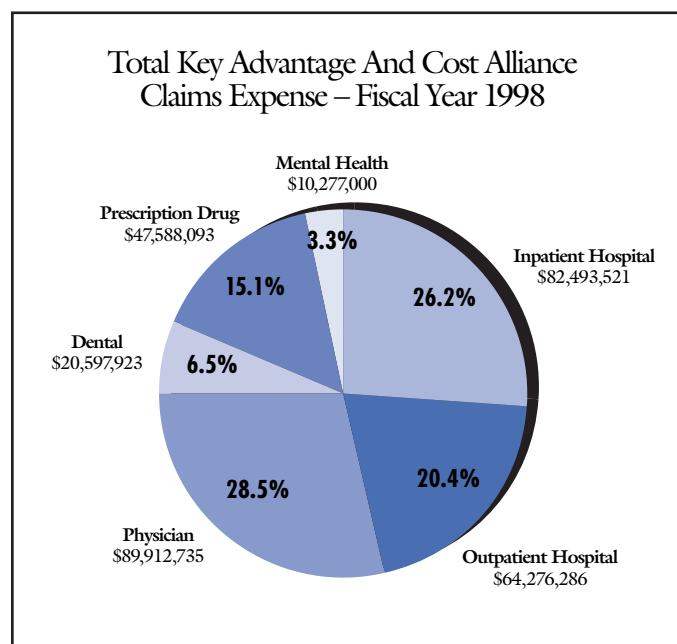
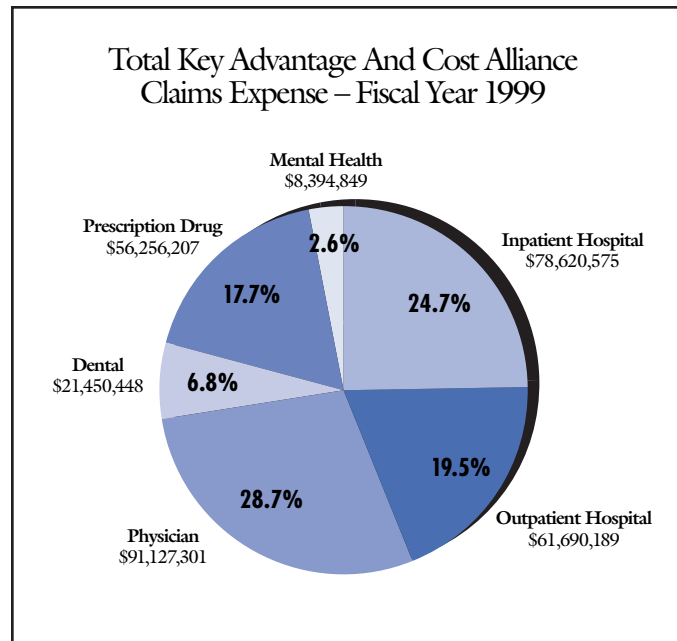
Employees Enrolled In Key Advantage And Cost Alliance

Fiscal Years 1996 through 1999



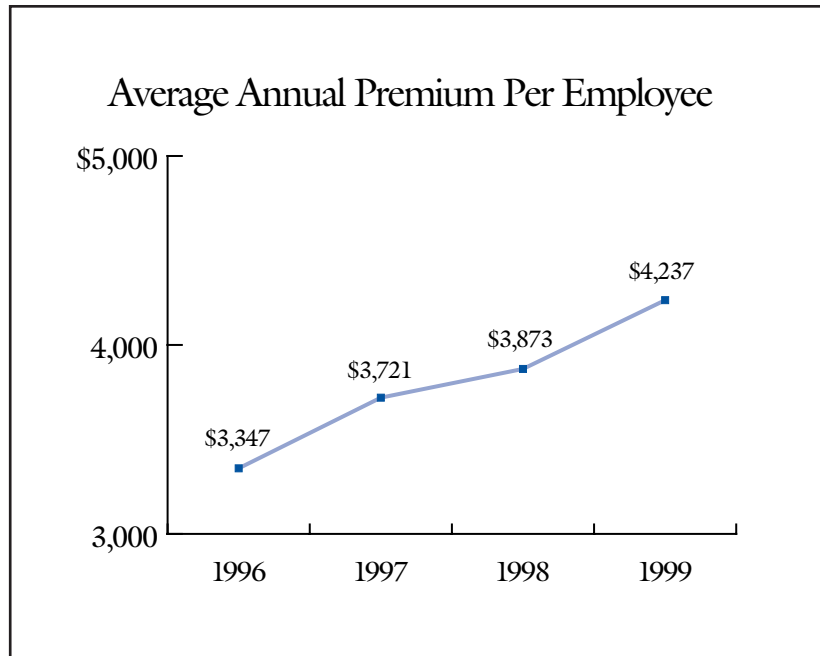
Claims and Utilization

The amount of claims paid for each component of the program is shown below for fiscal years 1998 and 1999.



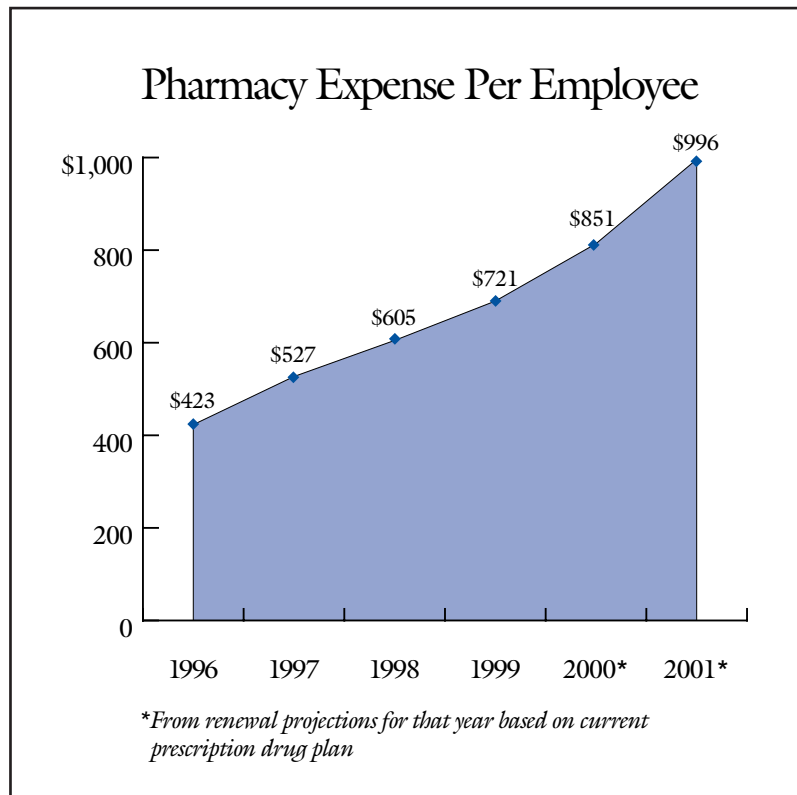
The cost of providing coverage is rising. For example, in 1996, the average annual premium for Key Advantage and Cost Alliance was \$3,347. In 1999, the cost rose to \$4,237, an increase of nearly 27% since 1996.

The average annual premiums shown cover the costs for medical, dental, outpatient prescription drug, and mental health/substance abuse coverage.



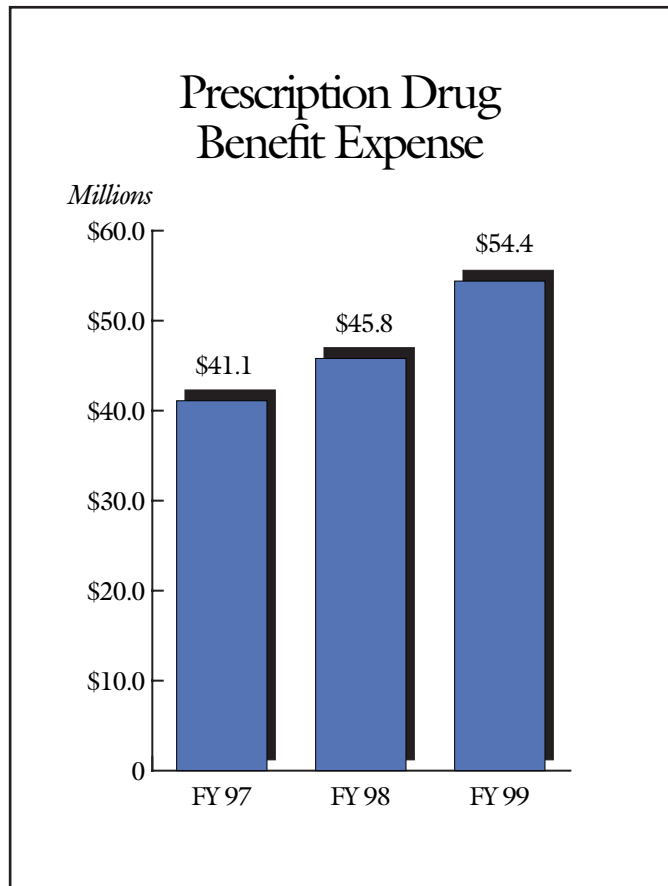
Prescription Drug Benefit

Increases in outpatient prescription drug costs have far outpaced other medical costs. This presents a difficult challenge as we strive to balance costs and benefits, and maintain a solid health benefits program. Left unchanged, and conservatively assuming current trends, it is projected that drug costs will increase to approximately \$851 per employee, per year by 2000.



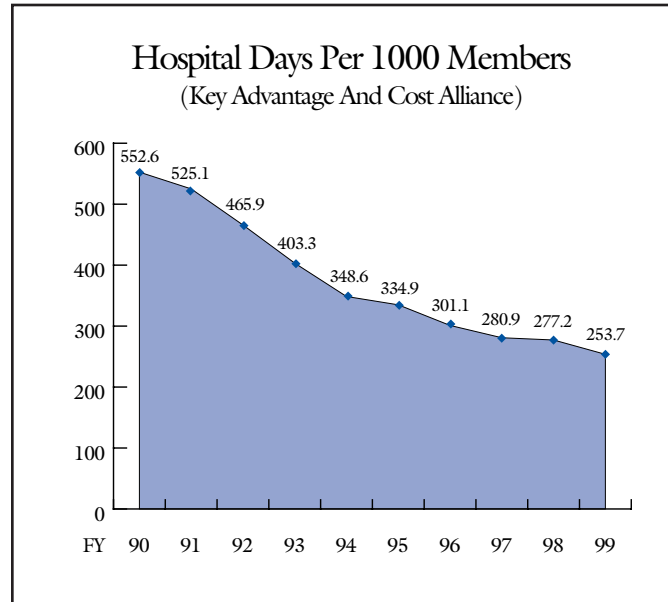
Prescription Drug Benefit

The following chart illustrates how prescription drug expenses are rapidly increasing each year. Drug costs for State employees have increased 32% in two years. This chart reflects only those expenses under the outpatient prescription drug card program, and does not include the cost of drugs provided in the hospital for inpatient care.

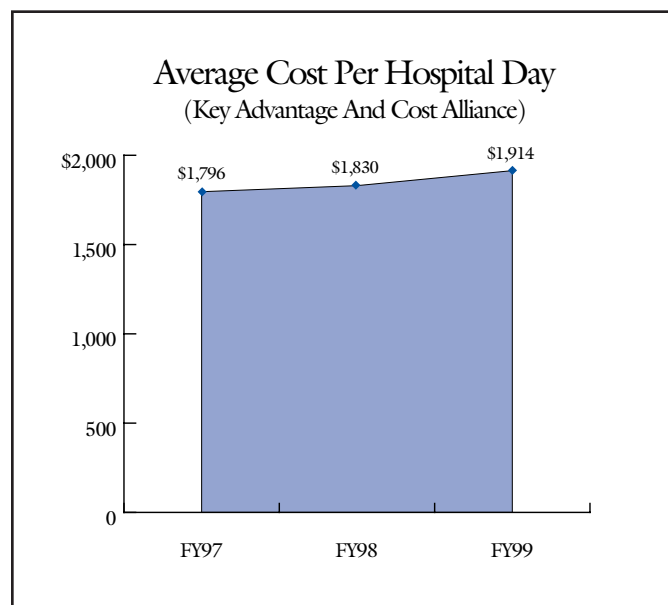


Inpatient Facility

As you can see from the chart below, our hospital days per thousand members have been going down. This reflects the positive effects of reducing the number of hospital days used. However, the cost per hospital day has been going up at a rate which has frustrated efforts to control costs.

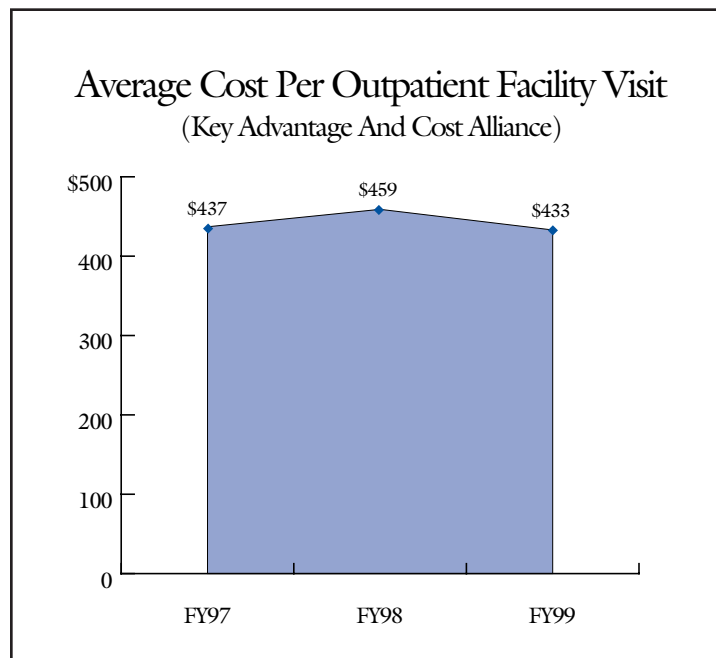
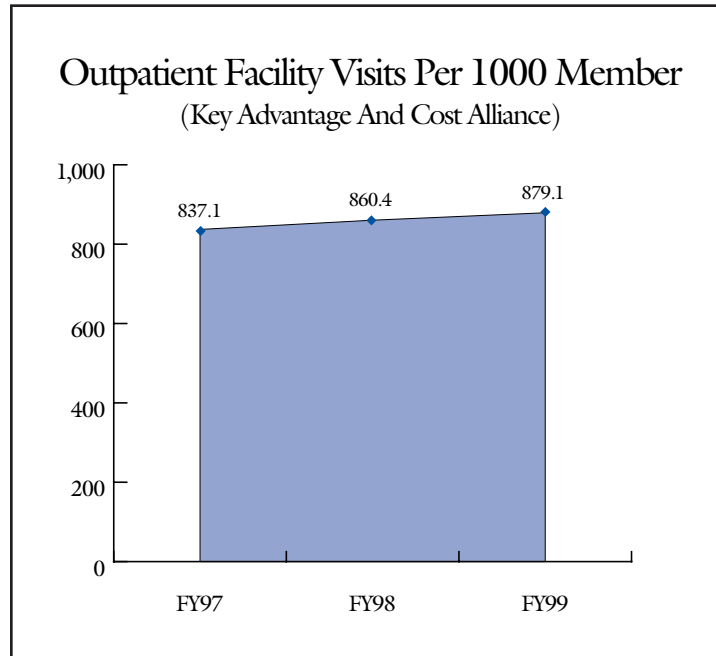


The average cost per hospital day for 1997, 1998, and 1999 reflects a net cost including the network facility discount. Due to past reporting methods, discounted facility costs are not available for earlier years. However, if we could show the costs since 1990 you would see a sharp upward slope.



Outpatient Facility

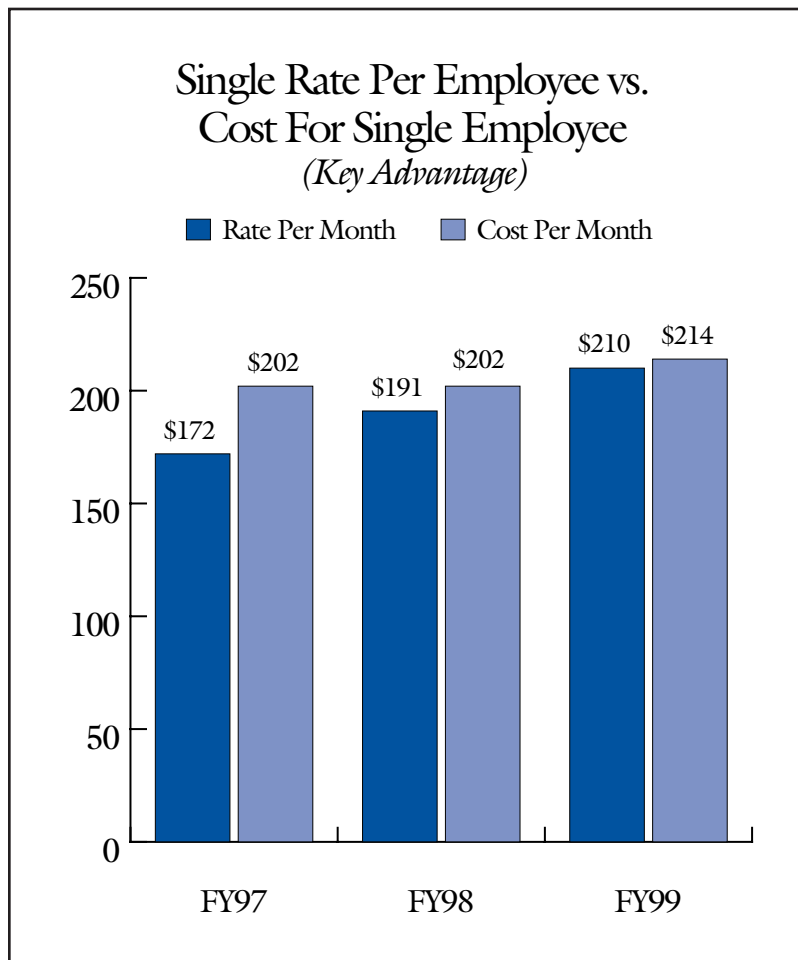
In general, use of outpatient facilities has been increasing gradually over the past three years, and the cost per visit has remained fairly stable.



Focus On Key Advantage

This chart compares the monthly rate paid per employee for Key Advantage coverage versus the cost to provide the coverage each month. The rate reflects how much money was actually put into the plan, and the cost reflects the total

expenses to operate the plan. The cost to operate the plan is greater than the amount of money in the plan, creating a deficit. Eventually, a deficit must be paid through higher premiums.

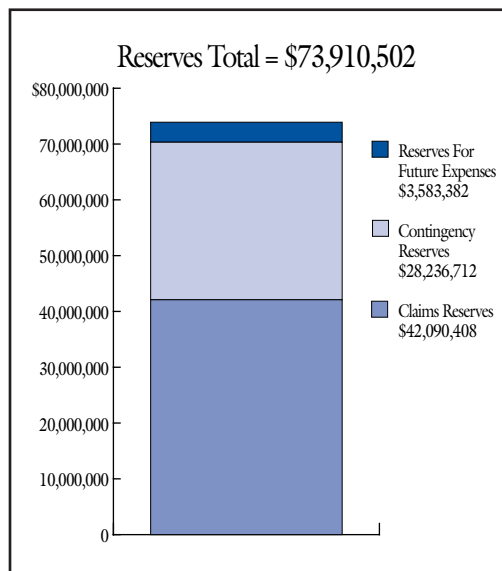
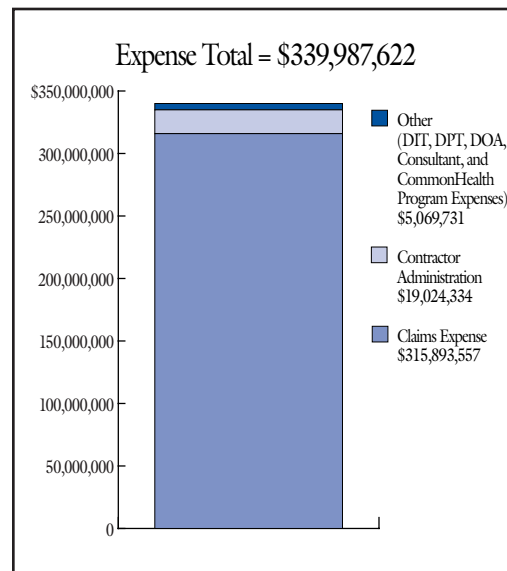
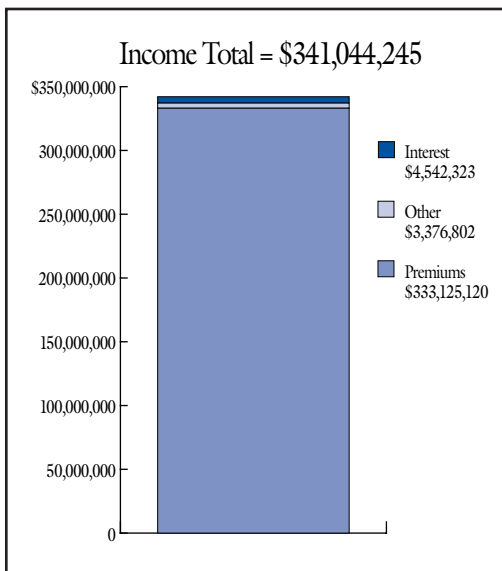


Operating Statement

The following charts show the self-insured program income and expense for fiscal years 1999 and 1998. Also shown are total program reserves. These reserves are monies that have been set aside in a special account for the specific purpose of funding claims payments and future health benefits.

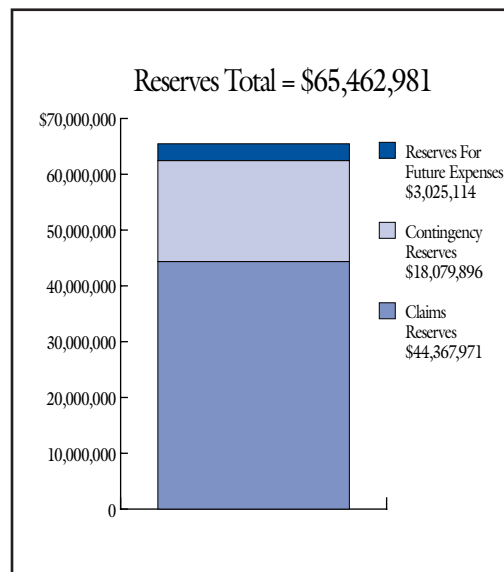
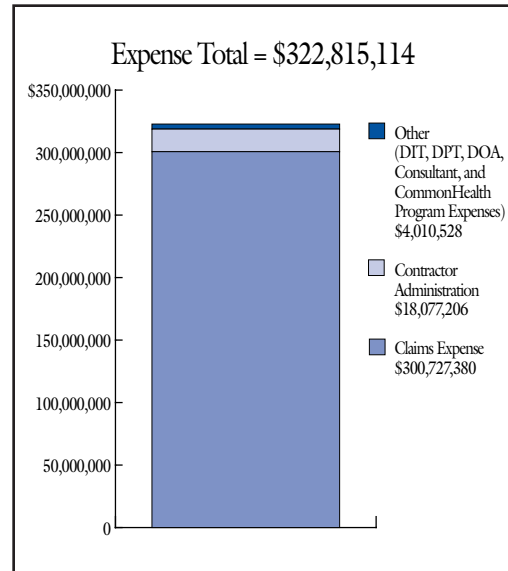
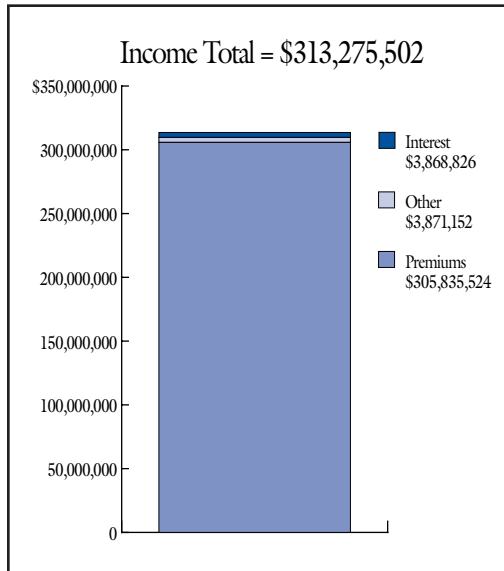
Fiscal Year
July 1, 1998 – June 30, 1999

Premiums provided the major part, 98%, of our income. Claims payments represented nearly 93% of our expenses. A breakdown of claims expense is shown on the next page.



Previous Year July 1, 1997 – June 30, 1998

Premiums provided the major part, 98%, of our income. Similarly, claims payments represented over 93% of our expenses.

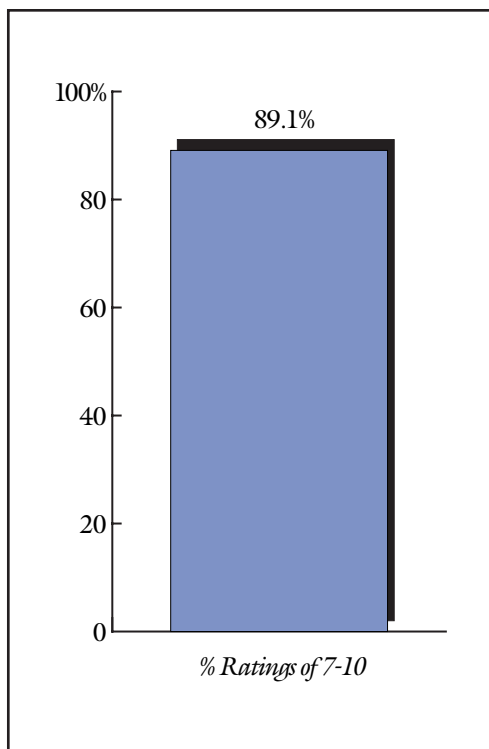


Employee Satisfaction

It is important to know what employees think about their health benefits program. That's why periodically we conduct surveys to measure their level of satisfaction. The charts below show how State employees rate the plans according to the standard HEDIS NCQA Annual Member HealthCare Survey. The survey was conducted February through May, 1999.

How Would You Rate All Your Health Care?

Use any number between 1 to 10, where 0 is the worst care possible, and 10 is the best care possible.



How Would You Rate Your Health Plan Now?

Use any number from 1 to 10, where 0 is the worst health plan possible, and 10 is the best health plan possible.

